

## COMMITTEE ON REAL ESTATE

January 25, 2016

A meeting of the Committee on Real Estate was held this date beginning at 3:00 pm at City Hall, 80 Broad Street, First Floor Conference Room.

### PRESENT

Councilmember White, Chair, Councilmembers Waring, Riegel and Moody and Mayor Tecklenburg. **Staff:** Colleen Carducci, Director of Real Estate Management, Frances Cantwell, Assistant Corporation Counsel, Rick Jerue, Senior Advisor to the Mayor and Laurie Thompson, Executive Assistant to the Mayor. **Also Present:** Michael Maher

The meeting was opened with a moment of silence by the Chair.

### APPROVAL OF MINUTES

On motion of Councilmember Moody, seconded by Councilmember Waring, the Committee voted unanimously to approve the minutes of the January 12, 2015 meeting.

### REQUEST APPROVAL OF THE RESOLUTION GRANTING THE MAYOR DISCRETION NOT TO TERMINATE THE PURCHASE AND SALE AGREEMENT DATED DECEMBER 15, 2015, BETWEEN THE CITY OF CHARLESTON AND 99 WESTEDGE DEVELOPER, LLC (TMS: A PORTION OF 460-00-00-013; 99 WESTEDGE)

Ms. Carducci stated that on December 15th, City Council approved the Purchase and Sale Agreement. The Purchase and Sale Agreement has seller conditions, which the City wanted to ensure were in place before we were required to close. The purchaser, at this point, is ready and willing to close, but they do not have their construction financing in place. They have some of the lenders who have submitted term sheets. They were waiting for a total of 4 and they expect to have those along with their selection of their construction financing by the end of this week. They asked if the City would recommend waving the construction financing part of it but the City would rather have that in place. This is to ensure that they are prepared to complete the wrap project as well as the garage which has the exterior facade that BAR is looking for. We recommend approval of this resolution which would allow the Mayor to accept from them extensions of the closing date. It would allow for three extensions at 15 days each for a payment of \$25,000 each. Councilmember Moody asked if the City would have \$75,000 if they did not close on March 15th. Ms. Carducci stated that it's applicable but not refundable. Councilmember Waring confirmed that if it goes through then it would be credited towards the sale and purchase. The Chair stated that there is a little pause for him that the City would close on the dirt without having construction financing in place because this is the precursor to this entire redevelopment. If we end up selling this parcel and they could not get financing and get this project underway, that would put us in a little bit of a pickle. He asked if it is the expectation that the City would provide this extension but the proviso for financing is extended with that. We would still want to see the financing in place. Ms. Carducci stated that was correct. The extension is only to allow them more time to get the final commitment because we would not recommend closing without that.

Councilmember Waring asked if they don't get the financing, where would that leave the garage. Ms. Carducci stated we would have options. One of the default provisions is that the City would have the right, as part of the earnest money deposit, to have the drawings for the project. Up to this point they have funded all the design work and they funded all the pre site work. We would have to do something to have a facade on the garage. We expect that they are going to have the funding in place. They've invested so much money into the design right now. They have every intention of proceeding. It's just picking the right lender. Mayor Tecklenburg asked if they already had money on deposit, which was nonrefundable. Ms. Carducci replied yes and said that it was a small amount knowing that they were spending hundreds of thousands of dollars on the design phase and the construction drawings. Mayor Tecklenburg asked if, as far as we know, they have the cash on hand to close the transaction. This is just about a guarantee that they have the cash to actually do the construction. Ms. Carducci confirmed.

They have the money to close and they have their equity partner. They're just placing the construction financing portion.

**REQUEST APPROVAL OF THE RESOLUTION EXPRESSING THE CITY'S INTENTION TO REIMBURSE FROM THE FIRST AVAILABLE TIF BOND PROCEEDS BOTH THE CITY AND MUSC FOR ANY COSTS INCURRED ON ACCOUNT OF EITHER PARTY'S AGREEMENT TO GUARANTY CERTAIN COSTS FOR PUBLIC IMPROVEMENTS SUPPORTING WESTEDGE RELATING TO THE INFRASTRUCTURE PAYMENT REQUIRED IN THE PURCHASE AND SALE AGREEMENT DATED DECEMBER 15, 2015 FOR THE SALE OF A PORTION OF 180 LOCKWOOD ITMS: A PORTION OF 460-00-00-013; HORIZON REDEVELOPMENT PROJECT AREA (THE "TIF DISTRICT"), 99 WESTEDGE**

Ms. Carducci stated that as part of the Purchase and Sale Agreement that we entered into for 99 WestEdge, it was anticipated that the developer would enter into an Infrastructure Development Agreement with Horizon Project Foundation. She noted that Michael Maher was present and Mr. Thompson is actively involved as well. They are entering into that Infrastructure Agreement with a developer. HPF would, through future TIF proceeds, fund the development of the infrastructure as well as Fishburne Street right-of-way improvements and a pedestrian plaza. The developer agrees, but they want to know that when they make these improvements that they are going to get paid. In the Purchase and Sale Agreement, it was written that the City, would guarantee the payment of half of that cost as would Medical University Foundation. The Medical University Foundation is agreeable to doing that, but they wanted this resolution from City Council so that they would have the opportunity if they provide their share of the infrastructure cost, that the first proceeds from the TIF funding would be applied to this project so that they are sure they are going to get paid with the first bond issuance from the TIF. This is the first TIF project that is being done at this time. In the future, we anticipate that what will get brought to City Council is a TIF Development Reimbursement Agreement. That will lay out the priorities of the district so that the development of WestEdge would become the first item on that TIF Funding Agreement that we would do with Horizon Project foundation. Councilmember Moody's stated that this is the top priority for the whole project. Miss Carducci stated that there are other infrastructure improvements that will be done with what we refer to as phase 1a and phase 1b which is 10 and 22 West edge. This is the grocery store development at the corner of Lockwood and Spring Street as well as the office building that's going to be developed there. There's a portion of West edge that will be built from Lockwood toward Hagood. That section of street will also have affiliated with it a draw on the future TIF proceeds. When the TIF reaches a point where it can start funding, this would be first in line. The second draw would be Phase 1A and Phase 1B, the continuation of WestEdge Street.

Councilmember Waring asked if there was an estimate on what the infrastructure cost might be. Mr. Maher stated that for Phase 1A and 1B, the current cost estimate is about \$12 million. We are hoping to bring that number down some. Mayor Tecklenburg inquired about the timeframe for the construction of the first buildings and the Phase 1A infrastructure. Mr. Maher stated that 99 and its associated structure would begin construction as soon as closing, possibly late February. The parking garage could be operational before the end of this year. The overall project is currently scheduled for completion in July or August 2017. 10 WestEdge is currently scheduled for closing at the end of March and the construction would begin in April or May. There's a scheduled closing for 22 WestEdge, the office research building, at the end of July, and it would start construction in August or September. Both of those projects and the infrastructure are scheduled to be completed by the end of 2017. Councilmember Waring asked if the grocery store and office building are hard to build. Mr. Maher stated that they haven't had closing for those yet. Subject to the closing, there are a couple of conditions that have to get resolved, but we're moving forward.

The Chair asked Ms. Carducci if this is a part of the request coming from any of the financiers for any of these projects. Ms. Carducci replied that the TIF reimbursement is a request from MUSCF, so that they know that when they put in additional funds to help keep HPF moving forward that, at some point, they can get reimbursed. Ms. Cantwell stated that the City is paying half as well. For every dollar that the first TIF bond proceeds generate, we get \$0.50 and they get \$0.50. We're paying ourselves back first as well.

On the motion of Councilmember Moody, seconded by Councilmember Waring, the Committee voted to approve the Resolution expressing the City's intention to reimburse from the first available TIF bond proceeds both the City and MUSC for any costs incurred on account of either party's agreement to guaranty certain costs for public improvements supporting WestEdge relating to the infrastructure payment required in the Purchase and Sale Agreement dated December 15, 2015 for the sale of a portion of 180 Lockwood [TMS: a portion of 460-00-00-013; Horizon Redevelopment Project Area (the "TIF District"), 99 WestEdge].

**AUTHORIZE MAYOR TO EXECUTE THE ATTACHED LEASE AMENDMENT BETWEEN THE CITY (LANDLORD) AND MEMBER II, INC. (TENANT) WHEREBY THE CITY AGREES TO ALLOW TENANT, AS PART OF A RESTAURANT KITCHEN IMPROVEMENT PROJECT, TO INSTALL AN ABOVE GROUND GREASE TRAP AND A VENT-LESS HOOD WITH A FIRE SUPPRESSION SYSTEM. (TMS: 459-09-03-147; ANN STREET – VISITOR'S CENTER PARKING GARAGE – RETAIL SPACE) [ORDINANCE]**

Ms. Carducci stated that we have this retail space under a Master Lease Agreement. The Master Lease Tenant has requested this amendment. They have a subtenant that they would like to lease to what is now a tea shop. We have a similar agreement with the same group of people under a different LLC at the Marion Square Garage. The Leases mirror each other with one difference. This Lease prohibits the use of a restaurant that would require the use of a grease trap. They've asked if we would consider allowing them to do that. This amendment would allow them to do it granted they had the required permits and approvals to have an aboveground grease trap with appropriate fire protection. There are some grease traps that are large containers that are part of the dishwashing system and sit aboveground, and some are blow ground. What matters is what the menu is and what CPW requires for the capacity. If it's too large of a capacity, it would have to go underground. Given the structure of the garage, we're not inclined to let them do an underground one.

Councilmember Riegel inquired about the principals for Ann Street Associates, LLC. Ms. Cantwell stated that it's no longer Ann Street, but Member II. Ms. Carducci stated that she didn't recall because all of her correspondence is through their agent. The Chair asked if there was a particular reason why it was precluded from the original Lease. Ms. Carducci stated that she's unsure. It predates her being with the City. The other location, which has a nearly mirrored lease, did eventually have a restaurant go in there, and the grease trap ended up going in the ground in the alleyway between the hotel and the parking garage. It could be that they didn't want one built after-the-fact after construction. The Chair asked if there was any reason why they wouldn't have wanted an underground grease trap in this location. He's nervous about doing it if there was a real reason as to why they didn't want it done. Ms. Carducci said typically if you have cooking going on, you need an exhaust system. It's not built into the original design. They have proposed a vent-less exhaust system that would have to be improved by our building inspectors and Fire Marshal as well. The underground grease trap would require going into the concrete that was put there as part of the foundation for the garage structure above it. It's possible that they didn't want the ventilation to have to penetrate the garage. If it's an interior exhaust system, we were thinking that might be acceptable. Councilmember Riegel asked if the prohibition was specific to this site or if it was in general. He stated that it could have been something underground where CPW would have prohibited them from going down. Ms. Carducci stated that CPW requires grease traps now at a greater level of capacity than they used to. Restaurants that go through a change, they go back and retrofit to meet the new standards of CPW. She wasn't aware of any restrictions that would be specific to this site.

Mayor Tecklenburg asked if there's some provision in the Lease where we could ask them to remove the grease trap and equipment at the end of their Lease and return it to its original state. Ms. Carducci replied yes. The Chair stated that with the amendment, it is all self-contained within four walls. It would be aboveground, vent-less, and wouldn't go through any walls. If it didn't work, they would have to come back to us before they moved forward. Ms. Carducci replied yes. She stated that she ran this by Edey Graves, the Chief Building Inspector to see if it made sense. Ms. Graves stated that it might work, but it would be reviewed from a technical standpoint when they submitted their plans and specifications. Councilmember Waring asked for clarification on the Chair's comments about it being all within the four walls. The Chair stated that it appears that way. If it's a vent-less hood, then it

wouldn't be puncturing the walls to vent. If it's above ground, it wouldn't penetrate the floor so it would be self-contained. Ms. Carducci stated that it's all inside. Our Lease doesn't allow them to put things outside. The Chair stated that it must be something doing a small amount of cooking to handle that kind of capacity. Ms. Carducci confirmed and stated that some homes have ventless hoods. It handles a certain amount, but not more than that. Councilmember Riegel stated that there are some mandates for a fire suppression system in the event of a fire.

On the motion of Councilmember Moody, seconded by Councilmember Riegel, the Committee voted unanimously to authorize the Mayor to execute the attached Lease Amendment between the City (Landlord) and Member II, Inc. (Tenant) whereby the City agrees to allow Tenant, as part of a restaurant kitchen improvement project, to install an above ground grease trap and a vent-less hood with a fire suppression system. (TMS: 459-09-03-147; Ann Street – Visitor's Center Parking Garage – Retail Space) [Ordinance]

## **DISCUSSION**

Councilmember White stated that some months ago when we changed the location of the IAAM, we spoke in terms of that property being put up for sale. When we had had the discussion about the Trolley Barn, the monies that were in Parcel B at that time, approximately \$4.4 million, were committed towards affordable housing. We took some of that money out, about \$3.6 million, which we used to pay for the new site for the IAAM. We got an appraisal. When the property sold, that money was to be put back. He asked when the property would be put up for sale. The markets are jumping around, and the interest is still low. We have a great environment in Charleston to sell into. Mayor Tecklenburg stated that it was discussed, and they plan to put it on the market soon. The market is good to conduct a sale. He wants to review it with the Planning Department about what kind of use would be recommended for the site before it's put on the market. He wants to ensure we have the zoning and height limits before we put it up for sale. It shouldn't take that long to do the review. We discussed the matter of the money going back for affordable housing.

Ms. Carducci stated that the closing attorney was going to the RMC's Office to record 1717 Wappoo Road. Councilmember Waring offered congratulations to the Legal Department, Ms. Carducci and everyone involved on that. That was out-of-the-box thinking on that. Councilmember Moody asked at what point the City is going to start putting together a team to look at that property and how we might do that. Ms. Carducci stated that she hasn't been involved as far as the future plans for that site, so she's unsure if the Parks Department has developed anything at this point in time. Councilmember Waring stated that we had \$800,000 in this budget to start working on Bender Street and Wappoo. Councilmember Moody stated that we need to develop a plan as to what it's going to be used for, especially since we now have the property. He stated that he would like to be involved since it's close to his district. There are a lot of people, especially in Edgewater Park, who have called him and voiced their concerns. Michael Bennett owns the property next to it, and we should be talking to him to get some input.

Councilmember Riegel stated that at the last meeting the Committee deferred the John Rivers properties. He inquired if the analysis on those properties has begun and when the Committee could expect it. He stated that the deferral failed at the Council meeting and they voted to move forward. He also asked if there was any speculation about the Ports Authority selling the headquarters and moving to Wando. That's going to be prime real estate on Concord Street. He asked if there had been any inquiries yet. Ms. Carducci stated that she's not sure how many inquiries the Port might have received, but she received one inquiry from the Kessler Group and she referred them to the Port. She suspects that a lot of hotels would be interested in that location. Councilmember Waring stated that it's good to see them expand, although he didn't think it would be across the Cooper. He asked if there was an effort to keep them on the Peninsula. Mr. Thompson stated that Mayor Riley tried, but they decided not to. Councilmember Riegel stated that the majority of their operations are at the Wando Welch Terminal, and they have a huge investment in the property there, so they wouldn't have to procure it. Councilmember Moody stated that the only good news about it is that it probably won't be government use, but more so private use. Councilmember Waring stated that part of Waterfront Park was supposed to expand down past the State Ports' property. Mr. Maher stated that the Union Pier Plan certainly anticipated that the waterfront walk would extend. This would be an opportunity for the City to

pursue some kind of right-of-way and pedestrian access to the waterway. Councilmember Moody stated that he thought it would be a part of the planning that we would try to connect those points. Councilmember Riegel stated that Fleet's Landing is also State Ports' property. They have a long-term lease until 2024. Councilmember Waring stated that having pedestrian access to the waterfront would be great.

There being no further business, the meeting was adjourned at 3:35 p.m.

Techina Jacques  
Clerk of Council's Office

